



## City Council

### Review and Approval of the 2018 Year-End Fund Balance and Accounting Adjustments

**Agenda Date:** 5/14/2019  
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#### **Title**

Review and Approval of the 2018 Year-End Fund Balance and Accounting Adjustments

#### **Recommended Action**

##### **Committee Recommendation:**

The Finance Committee recommends appropriating the 2018 year-end General Fund savings of \$155,454 to Building Repair and Replacement (\$100,000) and to purchase case management software for the prosecution and defense programs (\$55,454).

Finance Committee also recommends dedicating \$10,261,698 of revenue to budget stabilization reserve funds. This revenue is available as part of the 2018 year-end fund balance due to a one-time accounting adjustment required by the Government Accounting Standards Board.

##### **City Manager Recommendation:**

Move to approve the appropriation of the 2018 year-end General Fund savings of \$155,454 to Building Repair and Replacement (\$100,000) and to purchase case management software for the prosecution and defense programs (\$55,454). And move to dedicate \$10,261,698 of revenue to budget stabilization reserve due to a one-time accounting adjustment required by the Government Accounting Standards Board.

#### **Report**

##### **Issue:**

Whether to appropriate the 2018 year-end General Fund savings of \$155,454 to Building Repair and Replacement (\$100,000), and to purchase case management software for the prosecution and defense programs (\$55,454); and whether to dedicate \$10,261,698 of revenue to budget stabilization reserve due to a one-time accounting adjustment required by the Government Accounting Standards Board.

##### **Staff Contact:**

Debbie Sullivan, Administrative Services Director, 360.753.8499

##### **Presenter(s):**

Debbie Sullivan, Administrative Services

**Background and Analysis:**

The City ended 2018 with a General Fund balance of \$2,085,907. Based on the City's financial policies and Council commitments, the 2018 General Fund balance is \$155,454 (see table below).

Fund Balance as of 12/31/18	\$2,085,907
2019 10% Reserve Adjustment	(352,323)
Use of Fund Balance for 2019	(383,681)
Unspent Public Safety Levy Lid Lift	(328,284)
2018 Contractual Obligations	<u>(866,165)</u>
<b>2018 Available Fund Balance</b>	<b>\$ 155,454</b>

Finance Committee discussed the 2018 year-end fund balance on April 17, 2018. The Committee confirmed the policy appropriations, commitments, and recommended the remaining \$155,454 be appropriated to Building Repair and Replacement (\$100,000) and to fund the case management software for the prosecution and public defense programs (\$55,454).

In 2018, staff is also doing a one-time accounting reconciliation to ensure the City is recognizing revenue in compliance with Generally Accepted Accounting Principles (GAAP). There are two accounting methods used to record revenue - full accrual and modified accrual. Full accrual accounting means the transaction is recognized when the revenue or expense is incurred, not when the cash enters or leaves the City. The accrual method is used for the proprietary fund (utility enterprise funds).

Modified accrual is a governmental accounting method where revenue is recognized when it becomes "measurable and available." This is the method used for non-proprietary funds; primarily the General Fund and those funds supported by taxes. The industry standard for measurable and available is 60 days of the end of the fiscal year.

Olympia currently records non-proprietary tax revenue when it is received (January 1 - December 31). Starting in 2019, we have adjusted our accounting methodology to be in alignment with the industry standard so revenue will be recognized when it is received within 60 days of the end of the fiscal year. The impact of this accounting adjustment is a one-time recognition of two extra months of certain tax revenue. The impact of this adjustment results in an additional \$10,261,698 of 2018 end-of-year fund balance. Although the City is accounting for these additional two months, it is important to note the overall amount of revenue available to the City remains the same.

Finance Committee discussed this accounting adjustment based on Governmental Account Standard Board requirements and recommends this revenue be designated as budget stabilization reserves. Over the next several months, staff will be working with the Finance Committee to update the City's Financial Management Policies related to reserves.

**Neighborhood/Community Interests (if known):**

None noted.

**Options:**

1. Approve the appropriation of the 2018 year-end General Fund savings of \$155,454 to Building

Repair and Replacement (\$100,000) and to purchase case management software for the prosecution and defense programs (\$55,454); and dedicate \$10,261,698 of revenue to budget stabilization reserves and direct staff to prepare an ordinance to amend the 2019 budget.

2. Make changes to the Finance Committee's recommendation and direct staff to prepare an ordinance to amend the 2019 budget.
3. Do not direct staff to amend the 2019 budget.

**Financial Impact:**

Appropriates commitments up to \$2,085,907 including \$100,000 to the Capital Budget for Building Repair and Replacement and \$55,454 to fund the case management software. Provides \$10,261,698 to be designated as a budget stabilization reserve to be accessed during an economic downturn.

**Attachments:**

None